

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 8063

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PARIS FOR DEPUTY ASST. SECRETARY FISHLOW

EO 11652: NA

TAGS: EINV, EIND, EMIN, PFOR, PE

SUBJECT: MARCONA: PRESS REACTION

REF: LIMA 10273, LIMA 10363

1. IN ADDITION TO THE NEGATIVE PRESS REACTION REPORTED SEPTTEL, THERE WERE SEVERAL POSITIVE COMMENTS IN THE WEEKEND LIMA PRESS. MINISTER OF ENERGY AND MINES LUIS LA VERA VELARDE, DURING A CEREMONY PRESENTING THE NEW ADMINISTRATOR OF HIERROPERU, ING. MANUAL VELASQUEZ CRIADO, STATED THAT THE NATIONALIZATION OF MARCONA WAS A "VALIANT AND SOVEREIGN ACT" WHICH CARRIED MANY RISKS. AMONG THE CONSEQUENCES OF THIS ACTION WAS THE "BLOCKADE ON THE SALE OF PERUVIAN IRON." AFTER A DIFFICULT BATTLE, AN AVENUE WAS FOUND THROUGH NEGOTIATIONS, FIRST WITH THE COMPANY AND THEN BETWEEN GOVERNMENTS, TO ESCAPE FROM THE PREDICAMENT IN WHICH PERU FOUND ITSELF. HE ADDED THAT THE MEMO OF UNDERSTANDING JUST SIGNED BY THE GOP AND THE U.S. WILL PERMIT PERU TO SELL IRON ORE ONCE AGAIN. THIS DEMONSTRATES THE GOOD

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FAITH OF BOTH COUNTRIES IN ATTEMPTING TO REACH A BETTER

UNDERSTANDING IN ORDER TO SOLVE MUTUAL PROBLEMS.

2. RADICAL COLUMNIST FRANCISCO MONCLOA IN THE COMMUNIST "EXPRESO" DECEMBER 14 SURPRISINGLY GAVE HIS SEAL OF APPROVAL TO THE AGREEMENT. HE CONTENDED THAT THERE HAS BEEN NO COMPENSATION FOR MARCONA'S INSTALLATIONS AND THAT THE VALUE OF THE EXPROPRIATED PROPERTY WILL BE BALANCED AGAINST MARCONA'S DEBTS. THIS IS BEING DONE IN CONFORMITY WITH PERUVIAN LAW. HOWEVER, THE PROBLEM OF SHIPPING AND MARKETS, CREATED BY THE "PRECIPITATE POLICY OF JULY" AND REPRESENTING THE "GORDIAN KNOT" FOR PERU, WAS SOLVED BY THE USE OF A "REALISTIC FORMULA." TRANSPORTING IRON ORE IN THESE OR IN OTHER SHIPS SHOULD NOT BOTHER PERU; THE SERIOUS PROBLEM HAS BEEN RESOLVED. THE COUNTER-REVOLUTION UNDOUBTEDLY WILL USE THIS PROVISIONAL AGREEMENT TO ATTACK THE REVOLUTION. MARCONA, JUSTLY EXPROPRIATED ALTHOUGH AT AN INOPPORTUNE MOMENT, REPRESENTS A CHALLENGE TO PERU FOR THE NEAR FUTURE.

3. MONCLOA ALSO COMMENTS THAT BUILDING UP MARKETS IS A SLOW PROCESS BUT THAT SOCIALIST COUNTRIES WILL BUY PERUVIAN IRON ORE IN THE NEAR FUTURE. FURTHER, JAPAN OUGHT TO BEGIN BUYING AGAIN BECAUSE OF ITS OWN NEEDS DURING THE FIRST QUARTER OF NEXT YEAR. HE ALSO ADMITS THAT BECAUSE OF A LACK OF SHIPPING PERU WAS UNABLE TO MEET THE FIRST REQUEST WHICH ROMANIA MADE FOR PERUVIAN IRON ORE.

4. THE PREVIOUS DAY, DECEMBER 13, "LA PRENSA" REPORTED THAT THE FRENCH SHIP "LOURE" LEFT PERU WITH A CARGO OF 33,000 TONS OF IRON ORE DESTINED FOR ROMANIA. IT ALSO NOTED THAT WITHIN 20 TO 30 DAYS THE GOP EXPECTS TO SHIP 88,000 TONS OF IRON ORE TO YUGOSLAVIA. A SIMILAR STORY IN "LA CRONICA" ON THE SAME DATE NOTES THAT A MINPECO SPOKESMAN STATED THAT 120,000 TONS OF IRON ORE DESTINED FOR YUGOSLAVIA AND ROMANIA HAVE ALREADY BEEN SHIPPED, STATING THAT "IF PRICES AND CONDITIONS OF THE REQUESTS ARE FAVORABLE," MINPECO COULD COMMIT IMMEDIATELY OVER 30 PERCENT OF MARCONA'S ORE, ESTIMATED AT 10 MILLION TONS ANNUALLY. STORY ALSO QUOTES MINPECO SPOKESMAN AS LIMITED OFFICIAL USE

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STATING THAT CPV, AS THE SHIPPING AGENT OF THE STATE, WILL CONTRACT FOR SHIPPING OF IRON ORE THROUGH TRADITIONAL CARRIERS TO IRON ORE CONSUMERS AND THAT SUCH CARRIERS WILL HAVE THE RIGHT OF FIRST REFUSAL TO PROVIDE SHIPS IN ACCORDANCE WITH THE ANNEX TO THE INTERIM AGREEMENT.

5. COMMENT: WE ARE UNCERTAIN AS TO WHETHER PERU HAS

YET MOVED ANY IRON ORE. MARCONA LOCAL EMPLOYEE
TOLD EMBASSY EARLIER LAST WEEK THAT NO IRON ORE HAD BEEN
SHIPPED UP TO THAT TIME, AND THAT THE ROMANIANS WERE
HESITANT TO DO SO BECAUSE THEY FEARED THAT MARCONA MIGHT
BRING SUIT TO SEIZE THE SHIP AS IT PASSED THROUGH THE
CANAL ZONE. WITH THE SIGNING OF THE INTERIM AGREEMENT,
OF COURSE, MINPECO MAY HAVE MADE ARRANGEMENTS TO SHIP
SOME IORN ORE TO ROMANIA AS RAPIDLY AS POSSIBLE, ALTHOUGH
THE DISCREPANCIES BETWEEN THE "LA PRENSA" AND "LA CRONICA"
STORIES GIVE US FOOD FOR THOUGHT. BOTH THE SUBSTANCE AND
THE TIMING OF THE MINPECO ANNOUNCEMENT WERE CLEARLY
RELATED TO THE SIGNING OF THE INTERIM AGREEMENT AND WERE
PRESENTED IN ORDER TO CONVINCE THE PUBLIC THAT MINPECO
WILL BE ABLE TO SELL SUBSTANTIAL AMOUNTS OF HIERROPERU'S
PRODUCT. THIS REMAINS TO BE SEEN. AS FOR MONCLOA, HIS
APPROVAL OF THE INERIM AGREEMENT IMPLIES THAT THE GOP
HAS SPREAD THE WORD TO AT LEAST SOME LEFTIST NEWSMEN
TO AVOID ATTACKING THE INTERIM AGREEMENT, ALTHOUGH THE WORD MAY
NOT HAVE GOT THROUGH AS QUICKLY TO "CORREO" (SEE LIMA 10363).
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